

STATE OF VERMONT
PUBLIC SERVICE BOARD

Joint Petition of Green Mountain Power)	
Corporation, Vermont Electric Cooperative, Inc.)	
and Vermont Electric Power Company, Inc. for a)	Docket No. _____
Certificate of Public Good pursuant to 30 V.S.A. §)	
248, to construct up to a 63 MW wind electric)	
generation facility and associated facilities on)	
Lowell Mountain in Lowell, Vermont and the)	
installation or upgrade of approximately 16.9 miles)	
of transmission line and associated substations in)	
Lowell, Westfield and Jay, Vermont)	

PREFILED TESTIMONY OF
THOMAS E. KAVET
ON BEHALF OF GREEN MOUNTAIN POWER CORPORATION

May 21, 2009

Summary of Testimony

Mr. Kavet's testimony addresses the Project's economic benefits, from the perspective of impact on the local and regional economy, including increased employment and contribution to state and local taxes, including the absence of any net negative impact at the town or county levels on local property values or tourism visitation.

PREFILED TESTIMONY OF THOMAS E. KAVET
ON BEHALF OF
GREEN MOUNTAIN POWER CORPORATION

1 **1. Q. Please state your name, current position, employer and business address.**

2 **A.** My name is Thomas E. Kavet. I am an Economic and Public Policy Consultant
3 and President at Kavet, Rockler & Associates, LLC, located at 985 Grandview Road,
4 Williamstown, Vermont.

6 **2. Q. Please state briefly your educational background and business experience.**

7 **A.** I have been a professional economist for the past 31 years. I worked for 11 years
8 at McGraw-Hill/DRI (now IHS Global Insight), the largest economic consulting and forecasting
9 firm in the nation, where I started the Construction and Real Estate Information Service and was
10 later Vice President, Development and Product Operations. I have been an independent
11 economic consultant based in Vermont for the past 21 years, during which time I have been the
12 Consulting Economist to the Vermont State Legislature for the past 14 years. My partner, Dr.
13 Nicholas Rockler, and I have extensive experience building and using regional economic models,
14 specifying econometric and applied regression models, and performing economic impact
15 analyses. We currently maintain and manage REMI, IMPLAN and REDYN economic models
16 for the State of Vermont, on behalf of the Vermont Legislature Joint Fiscal Office. We have
17 conducted hundreds of regional economic impact analyses, including analyses associated with
18 wind and other energy projects in Vermont and other states. A copy of my resume is attached as
19 **Exh. Pet.-TEK- 1.**

1 **3. Q. Have you ever testified before the Public Service Board?**

2 **A.** Yes. I have testified in Dockets 7156 and 7250.

3

4 **4. Q. Please describe your analysis and conclusions.**

5 **A.** Using a regional economic model developed by Regional Dynamics, Inc.

6 (REDYN), we performed an economic and fiscal impact analysis of the two proposed wind farm

7 configurations proposed by Green Mountain Power Corporation in the Town of Lowell in

8 Orleans County, Vermont. Details associated with this analysis are contained in our report

9 entitled, “Regional Economic Impact Analysis for the proposed Kingdom Community Wind

10 Project” and attached as **Exh. Pet.-TEK-2**.

11

12 This analysis shows that the construction and operation of either proposed project configuration

13 will bring significant economic benefits to Orleans County and the State of Vermont, resulting in

14 the creation of more than 700 jobs (direct and secondary) during the construction and

15 development period in 2010-2012 and about 30 permanent new jobs in 2013 and beyond. About

16 80% of the initial employment gains and about half of the new permanent jobs are expected to be

17 in Orleans County. This project is likely to generate more than \$2 million in State tax revenues

18 during the construction and development phase, with ongoing State revenues totaling about \$24

19 million over the 25 year initial life of the facility. The direct fiscal benefits to the Town of

20 Lowell are expected to average more than \$500,000 per year, totaling about \$15million over the

21 25 year initial facility life.

Given that Orleans County currently has the highest unemployment rate of any county in the State (see Chart 1 on page 3 in the attached report), and has experienced one of the steepest increases in unemployment of any county in Vermont during the current economic downturn, the economic benefits described above and detailed in the attached report will have enhanced fiscal, economic and social value. This is especially true for the Town of Lowell, which reported a 13.6% average annual unemployment rate in 2009, the 8th highest rate among 247 reporting Vermont towns, and more than double the state-wide average annual rate calculated on the same basis.

In assessing economic impacts, we also studied potential property valuation and tourism visitation effects associated with the project. Based on the latest unbiased empirical analysis, we found no basis for a negative property valuation adjustment to the economic model used in the analysis and believe the model inputs for net property tax changes in Orleans County represent conservative assumptions regarding the economic impact of the proposed development. In addition to using minimum local property tax payments for the proposed wind farm, the demand and property valuation effects from lower property taxes in the host municipality could provide even further economic benefit to the region than presently estimated. With respect to tourism impacts, based on the 13 year experience associated with tourism visitation near the current wind farm in Searsburg, Vermont, the relatively small tourism sector in and around Lowell that may be affected by the proposed wind farm, and the absence of any credible scientific studies that associate negative tourism impacts with the presence of wind turbines, it is likely that any

1 economic impacts on the tourism sector in the region from this project – positive or negative -
2 are likely to be negligible.

3

4 **5. Q. Does this conclude your testimony?**

5 **A.** Yes.